

1 ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

2 In the Matter of the Mortgage Banker License of: No. 07F-BD018-BNK

3 **FIRST MAGNUS FINANCIAL**  
4 **CORPORATION #2 DBA GREAT**  
5 **SOUTHWEST MORTGAGE**  
603 N. Wilmot Road  
Tucson, AZ 85711

**CONSENT ORDER**

6 Petitioner.

7  
8 Wishing to resolve this matter in lieu of an administrative hearing and without admitting  
9 liability, First Magnus Financial Corporation #2 dba Great Southwest Mortgage ("Great Southwest")  
10 does not contest the following Findings of Fact and Conclusions of Law, and consents to the entry of  
11 the following Order.

12 **FINDINGS OF FACT**

13 1. Great Southwest is an Arizona corporation authorized to transact business in Arizona  
14 as a mortgage banker, license number BK 0903297, within the meaning of A.R.S. §§ 6-941, *et seq.*  
15 The nature of Great Southwest's business is that of making, negotiating, or offering to make or  
16 negotiate a mortgage banking loan or a mortgage loan secured by Arizona real property within the  
17 meaning of A.R.S. § 6-941(5).

18 2. The Arizona Department of Financial Institutions ("Department") conducted an  
19 examination of Great Southwest commencing November 7, 2005. Based on the examination, the  
20 Department concluded, among other things, that Great Southwest:

21 a. Improperly operated branches by:

22 i. Branch equipment and furniture leases are in branch managers' names  
23 resulting in such branch managers being liable for said leases;

24 ii. Failed to assume liability for all branch office leases; and

25 iii. Subleases are used as a "profit center" for branch managers as evidenced by  
26 the formation and ownership of limited liability companies ("L.L.C.s") by

Great Southwest's branch managers acting as landlords.

- b. Contracted with or paid compensation as defined in the Mortgage Bankers Act to lead generators and other independent contractors who were not licensed by the Department as mortgage brokers or mortgage bankers.
- c. Failed to conduct the minimum elements of reasonable employee investigations before hiring employees by failing to conduct a further investigation of certain employees with derogatory credit reports;
- d. Failed to fully comply with the disclosure requirements of Title I of the Consumer Credit Protection Act (15 U.S.C. §§ 1601 through 1666j), and the regulations promulgated under these acts;
- e. Allowed borrowers to sign regulated documents containing blank spaces;
- f. Originated and closed mortgage loans from two unlicensed locations;
- g. Used unlawful appraisal disclosures limiting a borrower to 90 days in which the borrower may request a copy of an appraisal for which the borrower had paid; and
- h. A branch manager made false promises and misrepresentations or concealed an essential or material fact in the course of the mortgage banker business by deceiving the ultimate lender through a pattern of misrepresentation and concealment that resulted in ten (10) fraudulent loan transactions.

3. The Department has found no evidence that Great Southwest's violations were willful or intentional.

4. Great Southwest has voluntarily agreed to take corrective action designed to comply with the Department's requests. However, such finding does not waive any provisions of this Consent Order.

#### CONCLUSIONS OF LAW

1. Pursuant to A.R.S. §§ 6-941, *et seq.*, the Superintendent has the authority and duty to regulate all persons engaged in the mortgage banker business in Arizona and with the enforcement

1 of statutes, rules, and regulations relating to mortgage bankers.

2 2. By the conduct set forth in the Findings of Fact, Great Southwest violated the  
3 following mortgage banker statutes and rules:

- 4 a. A.R.S. § 6-944(A) by operating its branches inappropriately;
- 5 b. A.R.S. § 6-947(B) and A.A.C. R20-4-102 by contracting with or paying  
6 compensation to unlicensed non-exempt lead generators and other independent  
7 contractors;
- 8 c. A.R.S. § 6-943(0) and A.A.C. R20-4-102 by failing to conduct the minimum  
9 elements of reasonable employee investigations before hiring employees;
- 10 d. A.R.S. § 6-946(E) and A.A.C. R20-4-1806(B)(6)(e) by failing to comply with the  
11 disclosure requirements of Title I of the Consumer Credit Protection Act (15  
12 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement Procedures Act (12  
13 U.S.C. §§ 2601 through 2617), and the regulations promulgated under these acts;
- 14 e. A.R.S. § 6-947(A) and A.A.C. R20-4-1808 by allowing borrowers to sign  
15 regulated documents containing blank spaces;
- 16 f. A.R.S. § 6-943(A) by originating and closing mortgage loans from unlicensed  
17 locations;
- 18 g. A.R.S. § 6-946(C) by using unlawful appraisal disclosures limiting a borrower to  
19 90 days in which the borrower may request a copy of an appraisal for which the  
20 borrower has paid; and
- 21 h. A.R.S. § 6-947(L) by a branch manager making false promises or  
22 misrepresentations or concealing an essential or material fact relating to ten (10)  
23 fraudulent loan transactions at one branch.

24 **ORDER**

25 1. Great Southwest shall comply with all applicable provisions of the Arizona Mortgage  
26 Bankers Act. Without limiting the foregoing, Great Southwest shall:

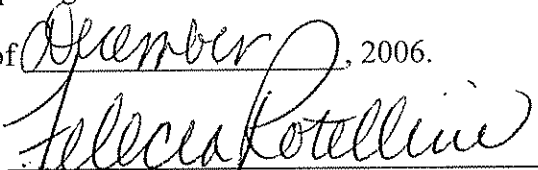
- a. Not transfer or assign its mortgage banker license except for a change of control as permitted by A.R.S. § 6-944(A);
- b. Not contract with or pay compensation as defined in the Mortgage Bankers Act to unlicensed non-exempt lead generators and other independent contractors;
- c. Conduct the minimum elements of reasonable employee investigations before hiring employees;
- d. Comply with the disclosure requirements of Title I of the Consumer Credit Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement Procedures Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated under these acts;
- e. Not allow borrowers to sign regulated documents containing blank spaces except as permitted by the Mortgage Bankers Act;
- f. Not originate and close mortgage loans from unlicensed locations; and
- g. Not use unlawful appraisal disclosures limiting a borrower to 90 days in which the borrower may request a copy of an appraisal for which the borrower has paid.

2. Within five business days of the execution of this Order Great Southwest shall pay to the Department a civil money penalty in the amount of two hundred thousand dollars (\$200,000.00).

3. The provisions of this Order shall become effective upon service and shall remain effective and enforceable until such time as, and except to the extent that, it shall be stayed, modified, terminated or set aside.

4. The provisions of this Order shall be binding upon Great Southwest and its employees, agents, and other persons participating in the conduct of the affairs of Great Southwest.

SO ORDERED this 1st day of December, 2006.

  
Felicia A. Rotellini  
Superintendent of Financial Institutions

CONSENT TO ENTRY OF ORDER

1. Great Southwest acknowledges that it has been served with a copy of the foregoing Findings of Fact, Conclusions of Law, and Order in the above-referenced matter, has read the same, is aware of its right to an administrative hearing in this matter, and has waived the same.

2. Great Southwest admits the jurisdiction of the Superintendent and consents to the entry of the foregoing Findings of Fact, Conclusions of Law, and Order.

3. Great Southwest executes this Order solely to settle this matter and not as an admission that Great Southwest has violated the law. This Agreement does not preclude this Department, or any other agency or officer of this state or subdivision thereof, from instituting other proceedings as may be appropriate now or in the future.

4. Great Southwest states that no promise of any kind or nature has been made to induce it to consent to the entry of this Order, and that it has done so voluntarily.

5. Great Southwest represents that Gurpreet S. Jaggi is the President of Great Southwest, and, in that capacity, has been authorized by Great Southwest to consent to the entry of this Order on its behalf.

6. Great Southwest waives all rights to seek judicial review or otherwise to challenge or contest the validity of this Order.

DATED this 1<sup>st</sup> day of DECEMBER, 2006.

First Magnus Corporation #2  
dba Great Southwest Mortgage

G. S. Jaggi  
Gurpreet S. Jaggi, President

ORIGINAL of the foregoing filed this 4<sup>th</sup>  
day of DEC, 2006, in the office of:

Felecia A. Rotellini, Superintendent  
Arizona Department of Financial Institutions  
ATTN: June Beckwith  
2910 N. 44th Street, Suite 310  
Phoenix, AZ 85018

1 COPY mailed/delivered same date to:

2 Craig A. Raby, Assistant Attorney General  
3 Office of the Attorney General  
4 1275 West Washington  
Phoenix, AZ 85007

5 Robert D. Charlton, Assistant Superintendent  
6 John Pettet, Senior Examiner  
7 Arizona Department of Financial Institutions  
2910 N. 44th Street, Suite 310  
Phoenix, AZ 85018

8 AND COPY MAILED SAME DATE by  
9 Certified Mail, Return Receipt Requested, to:

10 Gurpreet S. Jaggi, President  
11 First Magnus Financial Corporation #2  
12 dba Great Southwest Mortgage  
603 N. Wilmot Road  
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13 Gil Rudolph, Esq.  
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